OCCUPATIONAL PENSION SCHEMES 1963–64

A New Survey by the Government Actuary

INTRODUCTORY

Sources of information

1. Since the publication in 1958 of "Occupational Pension Schemes: A Survey by the Government Actuary" (H. M. Stationery Office), a Report which gave information relevant to the year 1956, considerable changes have taken place in superannuation provisions. Evidence of this has appeared in published reports and statements relating to national insurance, to life assurance and to the national economy. Some valuable figures have been collected jointly by the Institute and the Faculty of Actuaries, and data published by the Central Statistical Office have shown how the assets of funded pension schemes are growing. Statistics for the public sector appeared in "Economic Trends" in May, 1964. Other sources of various kinds have provided further particulars, but there is no arrangement for the regular collection of comprehensive information concerning the whole of this important field. It was decided by the Government that a new official survey should be made in order to meet the need for a statistical investigation into pension provision. The British Employers' Confederation (as it then was) and the Trades Union Congress were notified, and discussions were held between representatives of interested Government Departments and with various other bodies. Helpful advice on points of detail was received from the Confederation and also *inter alia* from the Life Offices' Association, the Associated Scottish Life Offices, the C.I.B. Society of Pension Consultants and the National Association of Pension Funds.

Scope of Survey

2. As before, the Survey related to Great Britain and Northern Ireland and consisted of two main parts:

(i) An inquiry conducted by means of a questionnaire addressed to a sample of employers, asking for statistics of the pension schemes operated by or on behalf of those employers.

(ii) A study of the provisions of the rules of those pension schemes.

On this occasion some further information was obtained from the Registrar of Non-Participating Employments, concerning the numbers of members of the schemes originally accepted as being "contracted out" of graduated national pensions.

3. The inquiry related to both the public sector of the national economy—including the Armed Forces, which were omitted from part of the analyses in 1956—and to the private sector. The number of employers approached was nearly two thousand, and the great majority of them gave useful help in one form or another. Thanks are due to these employers for their assistance, and in particular for the preparation by many of them of answers to a complex

questionnaire. This work imposed a considerable task upon officials of companies having superannuation schemes, and of insurance and brokerage organisations; without their aid an adequate statistical account could not have been prepared.

Anonymity of employers

4. Every care has been taken to preserve the anonymity of all the private employers in respect of whose schemes details were given; the information they supplied to the Government Actuary's Department has been treated as confidential and is disclosed only in the aggregate. Firms were asked either to send copies of the rules of their pension schemes or to authorise the Inland Revenue to disclose details of these rules to the Government Actuary so that they could be collated with the numerical and other information made available. The response to this request was good, and in this respect the inquiry has been an improvement upon that of 1956, when it was not possible to collate the rules and statistics of individual pension schemes.

Inland Revenue records

5. The fundamental source of information was the record maintained by the Board of Inland Revenue of all the employers who had been in touch with that Department at any time in connexion with setting up an occupational pension scheme. This record incorporated a card index of virtually all employers having pension schemes, including both those operated through insurance companies and those privately financed through funds and other arrangements administered by employers or by Trustees. The total number of employers thus recorded by the Inland Revenue (excluding those having only individual arrangements for particular officials, which were not included in the inquiry) was of the order of 70,000, although some of their schemes appear never to have come into operation, while others seem to have gone out of existence. Such cessations are not always made known to Inland Revenue Headquarters.

Sample fraction

6. It was clearly impracticable to obtain information from all these employers except by sampling. It was therefore decided for the purposes of the inquiry to select from the index a representative group comprising every 35th employer in the private sector of the economy. To these a questionnaire was sent. For the public sector, all national authorities and corporations of appreciable size, and a sample of local authorities, were asked to supply similar particulars.

Specially selected firms

7. As was to be expected, many of the sampled firms in the private sector had only a very small number of employees. In order to reduce the burden of the inquiry where complete data could be of only limited value, employers with 12 or fewer pensionable staff were asked to answer only one question. It was also clear that schemes with a very large membership would be encountered only infrequently in a sample of 1 in 35. The results of the inquiry would thus be materially influenced by the particular characteristics of the few big schemes in the sample, which might not be representative of the generality of large schemes. For this reason, about 80 additional large firms were specially selected for investigation. They were sent the same questionnaire, and the sample data

have been adjusted in the light of the additional evidence provided by their answers.

Duplication with 1956

8. In general, the private firms approached were not the same as those that had previously supplied information relevant to 1956. It would have been useful from some points of view if the same employers could have been approached on both occasions, as this would have enabled a better assessment to be made of the changes in pension provision that had occurred in the interim. Nevertheless, it would not have been fair to concentrate all the trouble of responding to the second official inquiry upon the same employers as before. The processes of selection adopted did in fact lead in a few cases to the choice of the same organisation both times, but the numbers of firms responding completely on both occasions proved not to be large enough to provide a representative measure of changes since 1956.

Inquiry documents

9. In the late summer of 1964 a letter was sent to each selected employer, together with a questionnaire form. The letter explained the purpose of the inquiry and asked for his co-operation. The form provided space for information about the total numbers of staff employed as well as for details of the members of the scheme, and there were questions about the numbers of pensioners, the amount of the contributions and of expenditure on principal benefits, the provision of widows' pensions, and the numbers withdrawing analysed according to the benefit received or the manner in which their accrued rights had been preserved. Questions were also asked about policy in regard to augmentation of pensions in certain circumstances. Copies of the letter and form are reproduced in Appendix II to this Report, together with the explanatory notes that were issued.

Correspondence with firms

10. There was much correspondence with employers over complications of various kinds, especially where the firm included in the sample proved to be part of a group of companies for which the pension arrangements had been merged. In such cases, arrangements were made, where possible, to obtain data for the chosen firm alone in relation to the current scheme or schemes applicable to its staff. This was sometimes difficult to secure, and for a variety of reasons many employers were unable to send all the details required; but nearly all helped in at least a more limited way.

Response

11. The following is an analysis of the private firms approached according to the outcome of the inquiries:

	Sampled	*Specially Selected*
Inquiry inapplicable	454	12
Full information received	387	44
Limited information obtained (either from employers or in other ways)	771	3
No data received in time for analysis ...	265	17
	1,877	76

The reasons for the inapplicability of the inquiry were most often that the firm had ceased to exist, that its operations were wholly overseas or that its pension scheme was no longer in being. A few firms proved to be subsidiaries of other firms in the investigation and their data were duly merged. The "limited information obtained" relates to (i) a small number of schemes for which only partial particulars were sent, (ii) some 500 schemes with very small membership (see paragraph 7 above) and (iii) about 250 employers who did not send data but for whom it could be deduced, from various sources of reference, that their schemes must be very small. Among the employers who did not send any data, very few appear to have immediately decided that they would not co-operate; the great majority showed willingness to assist but in the end were prevented from doing so by pressure of work and other difficulties.

12. The inquiry thus applied to over 1,400 firms. These comprised nearly 700 sampled employers with more than 12 pensionable staff, over 700 sampled employers with smaller schemes and 64 specially selected employers. The numbers responding wholly or partially were respectively over 400, about 500 and 47. The response rate for all sampled firms was thus about 65 per cent. For specially selected schemes it was nearly 75 per cent. For the public sector, a complete response was secured, apart from a few minor details which could not be supplied in isolated cases. Although a higher response rate from the private sector had been achieved in 1956, when about 80 per cent of firms sent information, the questions asked on the present occasion were much more searching.

13. There could be little doubt that the information obtained in the inquiry for the smallest firms was sufficiently representative, so far as it went, but it was necessary to consider carefully whether the failure of some of the other employers to respond introduced any serious bias. Telephone contact was established where possible with the non-responders, and in this and other ways tests were made to determine whether or not they differed in any significant degree from responders. A broad indication of the total numbers of staff employed by certain firms was supplied by the Ministry of Labour, and in the light of this information it became evident that lack of response to the inquiry had occurred most frequently among the medium-sized firms—those too small to have a special Pension Department and yet large enough to need to do some detailed research in order to provide the answers required. (Some figures are given in paragraph 21 below.)

Inquiry into Rules

14. Where copies of the Rules were received from employers, or where the Inland Revenue were authorised to disclose details of the Rules to the Government Actuary, standard forms giving many such details were completed by the Revenue staff. These forms were analysed in combination with the numerical data provided by employers. In addition, the Revenue staff analysed the Rules of a sub-sample of pension schemes for which returns had not been received although the employers had been asked to help in the inquiry. In this supplementary analysis anonymity was preserved: employers were identified only by a size coding, and the data were summarised to show for each code reference only the numbers of schemes containing particular provisions in their Rules. These data were used to correct the size-bias among responding employers to which reference has been made in paragraph 13 above—a bias which would otherwise have spoilt the validity of some of the results obtained. Confirmation

of the usefulness of the corrections has been obtained in so far as the results of the inquiry have been found to be in reasonable agreement with data and estimates available from independent sources. In this Report, further attention will not be drawn to such confirmation but only to the isolated instances where the sample results apparently need some correction.

Tabulation

15. The processing of most of the main data was carried out by the Combined Tabulating Installation of H.M. Stationery Office. The results were tabulated mechanically in about 100 primary tables. The work was time-consuming, as it was necessary to punch thirteen 80-column cards for each scheme in the inquiry.

16. The total number of pension schemes in respect of which information was mechanically tabulated was 551. The following statement shows the employers' returns classified according to the number of the schemes included in the mechanical tabulation:

Number of schemes	*Number of firms*
1	320
2	72
3	17
4	4
5	4
Total ...	417

As in 1956, the Inland Revenue records of Rules covered a considerably larger number of schemes per employer, on the average, than did the returns received from the firms. This difference probably arose from a variety of causes. For example, if an employer had had a former scheme which had been closed to new entrants, for whom a revised scheme had been introduced, the "closed" scheme might well have continued to operate for the benefit of those members of the staff who elected to remain under its provisions. In such cases figures for the closed scheme may well have been incorporated in the employer's return relating to the current scheme; the Inland Revenue prepared a separate statement for each scheme. The process of matching employers' and Inland Revenue returns required close attention, and for obvious reasons only correctly-matched pairs could be included in the mechanical tabulation process. The returns rejected during this process were nevertheless included in the inquiry as far as possible. Returns for schemes of minimal size were analysed manually.

Problems encountered

17. It will be seen from the foregoing that the principal problems encountered in the inquiry were those of non-response, of maintaining a correct balance between small and large firms, and of changes over the years in both pension schemes and the firms concerned. Further problems were encountered in respect of only partially complete information or data of evident inaccuracy: the complexity and variety of pension schemes are matters with which a written questionnaire by itself, however detailed, can hardly cope with perfect adequacy.

18. Three particular difficulties that could not be wholly overcome are described below:

(a) Based as it was on a sample, the inquiry in so far as it related to the private sector of the economy was subject to random error; the error was not negligible, particularly where estimates of sums of money or numbers of members are concerned, and on this account the results have been interpreted with caution.

(b) While it would have been useful to analyse the data by industrial group, the problem of classifying firms in this way was not easy to solve, particularly for large concerns which carry on a number of different industrial and commercial activities; additional complications were occasioned by "take-overs" and by the increased statistical errors inevitable in any subdivisions of the sample. Attempts at an industrial analysis had therefore to be abandoned, as in 1956.

(c) Besides being asked to state for a recent year the amounts expended in lump-sum retirement and death benefits other than pensions, firms were requested to state the numbers of persons receiving such benefits in the same period. The answers appear often to have been omitted and, in general, they corresponded so poorly with the record of expenditure that either the numbers or the expenditure were suspect. After tests, it was decided to accept the expenditure figures (which had presumably been subjected to audit) and not to use the record of the numbers of such beneficiaries; this difficulty was much less acute in relation to pensions expenditure and the numbers of pensioners, for which it was possible to use all the data sent.

Numbers of employees in sample

19. The total numbers of employees of the responding firms and the estimated corresponding numbers for those which responded only partially, or not at all, were as follows. The dates to which the returns relate were spread over the years 1963 and 1964, with an average early in 1964, i.e. close to 31st December, 1963:

	Men	*Women*	*Total*
Large firms			
Full response (86 schemes) ...	381,000	146,000	527,000
Partial response	64,000	25,000	89,000
No response	61,000	24,000	85,000
Total	506,000	195,000	701,000
Other firms			
Full response (465 schemes) ...	175,000	67,000	242,000
Partial response	7,000	3,000	10,000
No response	50,000	20,000	70,000
Total	232,000	90,000	322,000

ESTIMATED TOTAL NUMBERS OF EMPLOYEES, SCHEMES AND MEMBERS

Numbers of employees and members

20. The estimated total numbers of employees of firms having pension schemes in the United Kingdom as at 31st December, 1963, are shown in the upper part of Table 1. This estimate is based on the data shown in paragraph 19, suitably adjusted and then rated up to a national level; (firms having only arrangements for senior staff by means of individual policies are not included). The corresponding figures for the public sector are also shown. In the lower part of the Table the estimated numbers of members of pension schemes are given.

TABLE 1

Estimated total numbers of persons employed by firms having pension schemes and estimated total numbers of pensionable employees
31st December, 1963
Private and Public Sectors

(millions)

	Private Sector	Public Sector	Total
A. *Total Employees*			
Men	10·1	4·0	14·1
Women	3·8	1·6	5·4
Total	13·9	5·6	19·5
B. *Pensionable Employees*			
Men	6·4	3·0	9·4
Women	0·8	0·9	1·7
Total	7·2	3·9	11·1

It will be observed that organisations having pension schemes employed nearly 20 million persons—a high proportion of the country's total labour force of some 25 million people, and a still higher proportion when a deduction is made to eliminate self-employed and unemployed persons—but little more than one-half of the persons employed by these organisations were pensionable. The total number of employees of private sector firms having pension schemes was assessed in the previous inquiry at 10·2 millions in 1956; of these, 4·3 millions were pensionable. Thus, in the seven-year period 1956–63, there was a growth of nearly 4 million in the numbers employed by firms with schemes—most of this growth no doubt related to the introduction of pension schemes by employers who had not previously had them. The proportion of staff covered for pensions by the schemes of their employers grew from 42 to 52 per cent in the private sector. It is estimated that the number of pensionable employees is rising by some half a million persons a year on average and reached 12 millions during 1965.

21. Table 2 gives the distribution of sampled private employers according to the total numbers of staff of all kinds they employ. It shows that firms which did not respond at all tended to be smaller than those which responded fully, but larger than the partial responders (which consisted mainly of those with schemes with twelve members or less).

TABLE 2

Distribution of sampled employers with pension schemes according to response and to the total number of persons employed
Private Sector, 1963

Total number of staff employed	Percentage distribution of sampled employers who		
	Responded wholly	Responded partially	Did not respond
Under 50	17	96	46
50–99	21	2	20
100–499	43	2	25
500–999	9	—	5
1,000 and over	10	—	4
Total	100	100	100

Numbers of schemes

22. The estimated distribution of all active pension schemes in the private sector (except individual policy schemes) according to size of total membership is shown in Table 3 alongside the corresponding estimates for 1956. Evidently there was a rapid increase in the numbers of schemes of all sizes during the seven-year period.

TABLE 3

Estimated numbers of pension schemes according to the size of their active membership
Private Sector, 1956 and 1963

Total number of members	Number of schemes of private sector employers	
	1956	1963
Under 50	28,200	48,000
50–99	3,800	5,000
100–499	4,100	5,000
500–999	800	1,000
1,000 and over	600	1,000
Total	37,500	60,000

The largest private scheme in the new survey contained over 50,000 members. The proportion of employees who were covered for pensions did not differ markedly between small and large firms.

23. Table 2 shows how widely firms varied in the numbers of their employees, and Table 3 indicates that schemes varied extensively in the size of their membership. It is clear that estimates of numbers of pensionable staff, such as those given in Table 1, based on a sample of 1 in 35, must be subject to a considerable margin of error, depending principally on the proportion of very large schemes that happened to be included in the sample. This error could not have been diminished to a low level without a substantial increase in the size of the sample, which was ruled out by practical considerations. As already mentioned, however, an additional group of large firms was specially selected for study; this group has been dovetailed into the inquiry in much the same way as was done in 1956, and the result has been materially to improve representativeness and reduce variability.

Insurance

24. Table 4 gives the estimated subdivision of the number of members according to financial status of scheme.

TABLE 4

Estimated numbers of members of insured and non-insured schemes
Private and Public Sectors, 1963

(millions)

	Private Sector	Public Sector	Total
Wholly insured	4·2	—	4·2
Partly insured	0·1	—	0·1
Non-insured fund	2·7	3·3	6·0
No advance financial provision	0·2	0·6	0·8
Total	7·2	3·9	11·1

In the private sector, the proportion of members in wholly or partly insured schemes was thus 60 per cent—compare 53 per cent in 1956. "Partly insured" schemes in Table 4 include deposit administration arrangements as well as funds which were part insured and part privately invested, but both forms of scheme were uncommon. Non-insured funds include, in the public sector, notional funds. "No advance financial provision" signifies that no real or notional pension funds are maintained and that the cost of pensions and other benefits is met only as it falls due, e.g. for the Armed Forces and many Civil Servants (excluding Post Office employees).

The proportion of insured schemes varied according to size of membership as shown in Table 5. The proportion insured fell as the membership increased, although some of the largest schemes were insured.

TABLE 5

Proportion wholly or partly insured among schemes of different sizes

Private Sector, 1963

Number of members	Proportion of schemes insured
	%
12 or less	97
13–49	91
50–99	72
100–499	67
500–999	45
1,000 and over	34
All sizes together	88

Categories of staff covered

25. It is possible also to divide private-sector schemes into those applicable only to non-manual employees, those for manual employees alone and those open to both these categories. The estimated relative numbers of such schemes and their membership are set out in Table 6.

TABLE 6

Distribution of schemes, and members, according to categories of staff covered

Private Sector, 1963

Category of employees	Proportion of schemes	Proportion of members
	%	%
Non-manual only	40	30
Manual only	10	40
Both non-manual and manual	50	30
Total	100	100

Schemes restricted to one category alone (especially those for manuals) had a higher average membership than schemes open to all categories. As one would expect, it is the large firms that have tended to set up separate schemes for the two classes of workers. There has been an increase in the proportion of members in schemes for manual workers alone; in 1956, only 10 per cent of pensionable employees in the private sector were in this type of scheme. In the public sector, however, the majority of members continue to be covered by all-embracing schemes.

26. The total membership of pension schemes is estimated to have been subdivided between manual and non-manual employees as indicated in Table 7.

TABLE 7

Analysis of staff covered by schemes according to sex and category
Private and Public Sectors, 1963

(millions)

	Private Sector		Public Sector		Total	
Non-manual employees						
Men	2·8		1·3		4·1	
Women	0·5		0·8		1·3	
		3·3		2·1		5·4
Manual employees						
Men	3·6		1·7		5·3	
Women	0·3		0·1		0·4	
		3·9		1·8		5·7
Total		7·2		3·9		11·1

It is estimated that in 1956 the number of pensionable employees was 8 millions, distributed as indicated in Table 8; it will be noted that a distinction was then drawn between salaried and wages grades, and not non-manual and manual employees as in 1963:

TABLE 8

Analysis of staff covered by schemes according to sex and category
Private and Public Sectors, 1956

(millions)

	Private Sector		Public Sector		Total	
Salaried						
Men	1·6		1·1		2·7	
Women	0·4		0·7		1·1	
		2·0		1·8		3·8
Wages						
Men	1·9		1·7		3·6	
Women	0·4		0·1		0·5	
		2·3		1·8		4·1
Total		4·3		3·6		7·9

Thus the growth from 1956 to 1963 relates wholly to men, and the numbers of women covered have not increased. Some schemes for women members appear to have been discontinued, as a result of the introduction of National Insurance Graduated Pensions. In the public sector, the growth has been slower than in the private sector; the extent to which public sector employees are covered for pensions, already high in 1956, has remained relatively stable.

27. Manual workers slightly outnumbered non-manual staff, for men and in total, but non-manual members accounted for more than one-half of women. The percentages of the total staff of employers having pension schemes that were covered by those schemes are assessed at approximately the figures shown in Table 9.

TABLE 9

Proportions of staff covered for pensions
Private and Public Sectors, 1963

	Private Sector	Public Sector
	%	%
Non-manual employees		
Men	80	90
Women	40	80
Manual employees		
Men	55	65
Women	15	15

The corresponding proportions for the private sector quoted in the Report on the 1956 Inquiry were: *salaried employees:* 71 per cent (men) and 34 per cent (women); *wages employees:* 38 per cent (men) and 23 per cent (women). There has thus been a rise except for women manual workers, for whom the proportion may have fallen, presumably as a consequence of the introduction of the National Insurance Graduated Pension Scheme.

PENSIONERS

Numbers of pensioners

28. The estimated numbers of persons in receipt of pension are set out in Table 10.

It is interesting to note that the proportion of private sector pensioners to all pensioners is higher for widows than for former employees. The reason for this feature is not immediately evident for, as later paragraphs of this Report show, provision of widows' pensions is less usual in private sector schemes than in the public sector. It is possible that, as a result of statistical fluctuations, the number of widows in private sector schemes shown in Table 10 is overstated; alternatively, a greater use of the facility of allocation of pension in the private sector than in the public sector might explain the apparent anomaly—see paragraphs 95 and 96 below. The numbers of pensioners in 1956 were 300,000 (private sector) and 800,000 (public sector) and they have clearly grown rapidly. The estimated numbers of pensioners according to former manual or non-manual status were as indicated in Table 11.

In the private sector, the ratio of pensioners to active members was higher for non-manuals than for manuals, because of the greater maturity of non-manual schemes.

TABLE 10

Estimated total numbers of pensioners in occupational pension schemes
Private and Public Sectors, 31st December 1963

(thousands)

	Private Sector			Public Sector	Total
	Insured	Not insured	Total		
Former employees					
Men	100	360	460	820	1,280
Women	20	70	90	140	230
Total	120	430	550	960	1,510
Widows	30	120	150	170	320
Total	150	550	700	1,130	1,830

TABLE 11

Pensioners by category of former employment
Private and Public Sectors, 1963

(thousands)

	Private Sector	Public Sector	Total
Non-manual	420	590	1,010
Manual	280	540	820
Total	700	1,130	1,830

TABLE 12

Schemes classified by number of pensioners
Private Sector, 1963

Number of pensioners	Number of schemes
None	225
1–9	170
10–24	47
25–49	18
50–99	20
100–499	43
500 and over	28
All sizes together	551

29. The distribution of schemes of responding employers according to number of pensioners may be seen from Table 12.

In general, as one would expect, the longer the scheme had been in operation, the higher the number of pensioners. Insured schemes, which have been in operation for a shorter average period than non-insured schemes (see paragraph 43 below) had relatively fewer pensioners than non-insured schemes.

TOTAL AMOUNTS OF CONTRIBUTIONS AND BENEFITS

Contributions

30. On the basis of the information provided by employers, an assessment has been made of the total amounts paid in the year 1963 by way of contributions to private sector pension schemes. The inquiry suggests that £163 millions was paid by members and £350 millions by employers. (The employers' figure includes special payments, e.g. to meet deficiencies and costs of ancillary benefits). Of these amounts, £119 millions (members) and £257 millions (employers) related to non-manual staff and £44 millions and £93 millions respectively to manual staff. The average annual combined contributions per head were £110 and £35 for non-manuals and manuals respectively, of which the member paid rather less than one-third. The figures obtained for the year 1956 at the previous inquiry were £72 millions (members) and £174 millions (employers)—about one-half of the corresponding amounts for 1963.

31. The estimates of members' contributions given in paragraph 30 are higher than those disclosed by other investigations. Upon examination of the returns, it was found that in a number of schemes the employer had recorded an amount as having been paid by members, even though the rules of the scheme provided for the cost to be met wholly by the employer. The correction for this in the sample, when rated up to a national basis, would be about £25 millions. It is understood that, in some types of approved pension arrangements, members have agreed to forgo a part of their salaries in conjunction with the setting up of a non-contributory pension scheme, and it could well be that in such cases employers would regard the salary reductions as being contributions paid by the members, even though they were not written into the rules. The exclusion of the correction of £25 millions reduces the estimate of £163 millions above to £138 millions, which is much more closely in line with an assessment of £130 millions made jointly by the Institute and the Faculty of Actuaries.

32. Even after this correction, it appears that the estimate of personal contributions derived from the sample is still rather too high. The amount included in respect of insured schemes in the figure of £138 millions is £80 millions. The Life Offices' Association has supplied figures from which the amount may be estimated at £76 millions including some policies effected by individuals in accordance with the provisions of the Finance Act, 1956.

33. The estimated amount of employers' contributions to insured schemes, on the basis of the sample, is £160 millions. The Association's figures lead to an estimate of some £170 millions, but this includes amounts for schemes effected by means of individual policies for senior executives.

Pensions

34. On the basis of the new inquiry it is estimated that the amount paid from private sector schemes in 1963 by way of pensions was £123 millions, of which

£95 millions was to former non-manual employees and £28 millions was to former manuals. The corresponding total in 1956 had been £50 millions, and the rapid growth of expenditure is thus evident. (It appears, however, from comparison with other sources of information that payments of pension, or increases in pension, under *ex-gratia* arrangements have not always been included in employers' returns—see Appendix I.)

Public Sector

35. In the public sector, the amount contributed by employees in 1963 was about £110 millions, while the employing authorities paid in about £285 millions (this figure consists of (i) payments on a predetermined scale, for funded schemes, and (ii) sums to meet the balance of expenditure over income in unfunded and notionally-funded arrangements). Some £240 millions was expended on pensions, of which £170 millions related to former non-manuals (and their dependants) and the remaining £70 millions to manuals. These sums all represent a considerable increase over the 1956 figures.

Income and Outgo

36. In order to present as complete a picture as possible of the finances of occupational pension schemes in the year 1963, statements of income and expenditure have been drawn up. Table 13 gives a summary and a comparison with 1956, so far as is possible. The details for the private sector, and the public sector, are set out in Appendix I, with some notes; the private sector figures for 1963 include estimates not based on the present inquiry and, so far as contributions and pensions are concerned, represent an adjustment of the results of the inquiry; hence they do not all conform with those given in the earlier paragraphs of this Report.

It is estimated that, of the figure of £140 millions shown as representing

TABLE 13

Corrected estimates of income and outgo
Private and Public Sectors, 1963,
and comparison with 1956

(£ millions)

	1963			1956		
	Private Sector	Public Sector	Total	Private Sector	Public Sector	Total
Contributions						
Members	120	110	230	70	60	130
Employers	335	285	620	175	190	365
Net interest earnings	240	85	325			
Total income	695	480	1,175			
Pensions	125	240	365	50	135	185
Other benefits and expenses (net)	140	110	250			
Net growth of funds	430	130	560			

"other benefits and expenses" (private sector), some £40 millions was spent on lump-sum death benefits and £10 millions on lump-sum retirement benefits. Of the total of £110 millions for other benefits and expenses in the public sector, it is estimated that £5 millions related to lump sums payable on death and £55 millions to lump sums payable on retirement.

SIZES OF PENSIONS

Distribution of pensions by weekly amount

37. The following rough estimate of the distribution according to size of all occupational pensions in payment (including pensions to widows and dependants) has been made on the basis of the data received; it relates to the public and private sectors in combination:

TABLE 14

Pensions according to size

Both Sectors, 1963

Amount of pension	Proportion of pensioners
(£ per week)	%
Under ½	10
½ and under 1	15
1 " " 1½	15
1½ " " 2	10
2 " " 3	9
3 " " 4	8
4 " " 5	7
5 " " 6	5
6 " " 7	4
7 " " 8	4
8 " " 9	3
9 " " 10	3
10 " " 12½	2
12½ " " 15	2
15 " " 17½	1
17½ " " 20	1
20 and over	1
All amounts ...	100

This distribution could not be obtained directly but has been constructed by inference. It is broadly in agreement with independent sources of information.

ADMINISTRATION

General

38. The numbers of members classified according to insurance status of scheme, and the proportions of insured schemes to all schemes, have already been shown in paragraph 24. Non-insured schemes almost all involved privately administered funds, as the number of private sector schemes with no advance

financial provision was almost negligible. It may be seen from Table 4 that 60 per cent of members in the private sector were in insured (or partly insured) schemes. Similar distributions have been estimated for manual and non-manual employees separately, and for schemes restricted to one or other of these classes, but no striking differences between these categories and the general average were revealed.

39. The general manner in which private sector schemes were administered is indicated in Table 15 for schemes with more than twelve members:

TABLE 15

Administration of schemes
Private Sector, 1963

Method of administration	Proportion of schemes
	%
By the employer alone	24
By employer and members jointly	1
By trustees appointed by the employer alone	71
By trustees appointed jointly by employer and members ...	4
Total	100

The distribution of schemes among these four methods was broadly similar when attention was restricted to insured schemes, or to non-insured schemes, although there was a tendency for insured schemes to be more often administered by the employer alone, while non-insured schemes were almost all administered by trustees. Size of scheme had a more important effect on the method of administration: only 9 per cent of all members of sampled pension schemes were covered by the 24 per cent of schemes administered by the employer alone, whereas 86 per cent were covered by the 71 per cent of schemes administered by trustees appointed by the employer alone. Almost all the remaining 5 per cent were in schemes where both employer and the members determined the appointment of the trustees. There was little difference in manner of administration between schemes catering solely for manual employees and schemes catering solely for non-manual employees.

Contracting out

40. A study of the sample data was made in order to ascertain whether there was any connexion between method of administration and contracting out of the National Insurance Graduated Pension Scheme. Schemes administered by trustees appear to have included contracted-out members slightly more often than schemes administered by the employer alone, but the difference was rather small, and may not have been significant. The distributions for schemes, and their members, in the private sector according to status in relation to the National Insurance Graduated Pension Scheme is estimated to have been as follows in 1963:

TABLE 16

Contracting out of National Insurance Graduated Pensions
Private Sector, 1963

Status of members	Proportion of Schemes	Proportion of Members
	%	%
All contracted out	22	13
Some contracted out	16	41
None contracted out	62	46
Total	100	100

Insured schemes had members contracted out more often than non-insured schemes. Differences in this respect between manual and non-manual employees were not very marked, but the proportion of members contracted out was materially lower for women than for men. It is estimated that rather less than one-half of the membership of "partly contracted out" private sector schemes was in fact contracted out.

Income Tax approval

41. The following analysis shows the proportions of pension schemes and the proportions of their members according to the section of the Income Tax Act, 1952 under which approval had been obtained.

TABLE 17

Income Tax status
Private Sector, 1963

Status	Proportion of Schemes	Proportion of Members
	%	%
Section 379 (fully approved)	38	72
Section 379 (partly approved and partly unapproved) ...	2	11
Section 379 and Section 388	3	6
Section 388	36	7
Section 387 (Excepted Provident Funds)	8	1
Unapproved	13	3
Total	100	100

There was little difference between the distributions of insured and non-insured schemes in this respect. Briefly, Sections 379, 387 and 388 represent three different methods of approval for tax purposes, each with different criteria and reliefs. A description in more detail appeared on pp. 10–12 of the Report of a

Committee on the Preservation of Pension Rights, appointed by the Ministry of Labour National Joint Advisory Council (1966).

Dates of inception

42. The following table shows the distribution of the sampled pension schemes according to the date when they were instituted. These dates relate to the inception of the scheme in its present general form, and not to its latest minor amendment, and they do not refer to any former scheme which may have been superseded by the current one.

TABLE 18

Dates of inception
Private Sector, 1963

Date of inception	Proportion of schemes
	%
Before 1940	8
1940–49	6
1950–54	16
1955–59	32
1960 and onwards	38
All dates of inception	100

The distribution was older for schemes restricted to non-manual employees and younger for schemes restricted to manual employees.

43. The membership of the schemes in the sample varied a good deal with date of inception. On the whole, the more recent the scheme the larger was the membership. The explanation appears to be that—for one reason or another—the larger employers have tended more often than the smaller firms to re-cast their schemes completely in recent years. Insured schemes were of more recent origin than non-insured schemes, as the following figures for schemes with more than 12 members show:

TABLE 19

Date of inception and proportion insured
Private Sector, 1963

Date of inception	Proportion of schemes insured
	%
Before 1940	40
1940–49	66
1950–54	85
1955–59	88
1960 and onwards	92

Qualifying periods for entry

44. The distributions of private sector schemes, and members, according to the length of service which the male employee was required to have with the employer before he could enter the pension scheme are estimated to have been broadly as follows:

TABLE 20

Qualifying periods

Private Sector, 1963

Qualifying period	Proportion of	
	Schemes	Members
	%	%
Nil	40	25
Under 1 year	10	5
1 year and under 5 years ...	45	65
5 years and over	5	5
Total	100	100

In 1956, the qualifying service (when required) was less than one year for about one-third of the members of private sector schemes with qualifying periods. Clearly there has been a change in this respect—no doubt associated with the introduction of National Insurance Graduated Pensions, and perhaps also with the growth in schemes for manual employees alone. The imposition of a period of qualifying service was more usual for manual staff than for others; the sexes had generally similar qualifying periods.

Minimum entry ages

45. Most private sector schemes also had a minimum age requirement for entry, and some information on this topic is given below.

TABLE 21

Minimum entry ages

Private Sector, 1963

Minimum entry age	Proportions of			
	Schemes		Members	
	Men	Women	Men	Women
	%	%	%	%
None	15	10	15	30
18 or less	10	15	10	5
19–24	65	35	70	35
25–29	10	30	5	25
30 and over	Nil	10	Nil	5
Total	100	100	100	100

As in 1956, age 21 was the commonest lower limit. This applied more particularly to men, but for women ages 25 and even 30 were encountered. Minimum entry ages were slightly less frequent in non-insured schemes than in insured schemes.

46. In public sector pension schemes, some 2¼ million members were contracted out of the Graduated Scheme in 1963; the minimum entry age was commonly 18 or 20, and qualifying service was not normally required.

Voluntary or compulsory entry

47. A question in the 1956 inquiry concerning voluntary and compulsory entry, according to the pension scheme rules, showed that in the private sector the membership was equally divided in this respect, although in the public sector compulsory entry was normal. This question was not repeated in the new investigation, because this matter is often a condition of service rather than a provision of the pension scheme rules.

Actuarial valuation

48. Part of the inquiry form for the private sector called for information about actuarial valuation in respect of non-insured schemes. The data obtained showed that, apart from cases where there was no advance financial provision, almost all the schemes had rules that required the making of actuarial valuations, and the great majority of these provided for valuations at intervals not exceeding five years.

49. Enquiries were also made to ascertain the provisions of the rules as to the action that might be taken in the event of the disclosure of a surplus or deficiency as the result of the valuation. In about one-half of the schemes there was some reference to this question, and mention was made of the possibility of amending the contributions of the employer or the members, or of amending the benefit scales. These results concerning valuations were generally similar to those found in 1956. The position in the public sector resembled that in the private sector, except that reference was less frequently made to the possibility of amending members' contributions and benefits as a result of the valuation.

CONTRIBUTIONS PAYABLE BY MEMBERS

Type of member's contribution (private sector)

50. The estimated distribution of private sector pension schemes according to whether or not the members contributed, and if so how their contributions were assessed, is shown in Table 22. The data are based on the provisions of the rules, and necessarily have no regard to any special arrangements for reduction in salary that may have been made outside those provisions when a scheme was introduced. Figures for 1956 are given for comparison.

TABLE 22

Schemes classified according to method of payment of members' contributions

Private Sector, 1956 and 1963

Type of member's contribution	Proportion of schemes	
	1956	1963
	%	%
Dependent on salary range	40	27
Percentage of salary:		
(i) uniform	15	14
(ii) variable	2	1
Level amount independent of pay ...	13	17
Other basis	3	11
None	27	30
All types	100	100

Contributions dependent on salary range were associated mainly with insured schemes. Such contributions were not unknown in non-insured arrangements also, but here it was more usual to assess the members' payments as a direct percentage of salary or as a level annual amount. Variable percentage contributions usually depended upon entry age. Nearly one-third of schemes were non-contributory, and non-insured schemes seemed to be rather more likely than insured schemes to be thus wholly supported by the employer. Schemes for manual workers alone were more frequently supported by contributions independent of pay than other schemes.

Comparison with 1956

51. Comparison with the results of the 1956 inquiry suggests that the following changes had occurred:

(i) A fall in the proportion of schemes in which the member's contribution was assessed in terms of salary ranges.

(ii) A rise in the proportion of schemes in which the existence of some complexity in the manner of assessment of members' contributions prevented their classification into one or other of the four main groups and caused them to be included under the heading "other basis"; a common cause of such complexity was a variation in provision for different staff-groups.

(iii) A small rise in the proportion of schemes to which, under the rules, the members were not called upon to contribute.

52. In all comparisons between the results of the two official inquiries in regard to the provisions of the rules of schemes, it should be borne in mind that there is a difference in method between 1956 and 1963: the schemes now studied in detail are mostly those that could be matched to employers' returns, and thus represent essentially the provisions current in 1963. In 1956, however, individual matching was not possible (see paragraph 4 above) and the data from the first

inquiry were thus not restricted to schemes then current but could, and did in some cases, include some partly-superseded arrangements, such as funds closed to new entrants. The difference of method between 1956 and 1963 does not invalidate the comparisons in any way, but it means that any changes that are shown to have occurred probably took place over a longer period, on the average, than seven years.

Members paying different types of contribution

53. The estimated proportions of members of schemes who contributed in various ways in 1956 and in 1963 are shown in Table 23.

TABLE 23

Proportions of members of schemes according to method of contribution

Private Sector, 1956 and 1963

Type of member's contribution	Proportion of members	
	1956	1963
	%	%
Dependent on salary range... ...	23	21 (say)
Percentage of salary:		
(i) uniform	16	10
(ii) variable	5	2
Level amount independent of pay ...	11	21
Other basis	8	11
None	37	35 (say)
All types	100	100

The tabulated data showed an increase in the proportion of members in "complex" schemes, classified under the heading of "other basis" in Table 23, thus confirming item (ii) in paragraph 51 above. They showed also, however, some results which were in conflict with items (i) and (iii) in paragraph 51, i.e., that fewer members were in non-contributory schemes, and more in "salary range" schemes, than in 1956. In the light of a close analysis of the statistics, referred to in paragraph 54 below, the results have been adjusted to those given in the first and last lines of Table 23, where the word "say" has been added to indicate that the outcome is the result of a special adjustment. The figures as presented suggest a slight fall in the proportions of members in both salary range and non-contributory schemes. The Table also shows a fall in the proportion of members in "percentage of salary" schemes, but a rise in flat-rate schemes which is consistent with the growth of provision for manual employees. The numbers of schemes involving separate contributions for widows' pensions remained relatively small; the proportion of members in such schemes was put at 2 per cent in 1956 and a similar figure emerged from the more recent inquiry.

54. The special analysis referred to in the preceding paragraph showed that the high proportion of "salary-range" contribution assessments among members in the sample, and the low proportion of non-contributory members, were

attributable to one or two very large schemes. The corresponding data for selected large schemes as a whole, for very small schemes and for the schemes of non-responding employers also, indicated membership proportions in much closer accordance with those shown in Table 22. There could be little doubt, therefore, that in these particular respects a "freak" result had been disclosed in the unadjusted statistics for membership, because of the wide variability of sizes of schemes in the sample. A correction was therefore required.

Public Sector members' contributions

55. Figures for members' contributions to public sector pension schemes are given in Table 24 for both 1956 and 1963:

TABLE 24

Proportions of members of schemes according to method of contribution

Public Sector, 1956 and 1963

Type of member's contribution	Proportion of members	
	1956	1963
	%	%
Dependent on salary range	—	—
Percentage of salary:		
(i) uniform	50	51
(ii) variable	3	3
Level amount independent of pay ...	26	20
None	21	26
All types	100	100

There were no important changes in the provisions of the schemes during the seven-year period, and the variations in the percentages merely reflect the developments in the relative sizes of the various services, and the inclusion in the 1963 analysis of the Armed Forces, who were excluded from that of 1956. About 20 per cent of members paid separate additional contributions for widows' pensions.

Sizes of contributions

56. The average contributing member's annual contribution in 1963 was about £25 in the private sector and £35 in the public sector. Assuming an average "pensionable salary" of £700 a year, these represent about 3½ and 5 per cent of reckonable pay respectively. The estimated proportions of members contributing at various levels are indicated, in round figures, in Table 25.

57. The average members' contributions in 1963, according to the type of contribution, are indicated in round figures in Table 26, separately for non-manual and manual employees in the private sector. The level of contribution for manual staff was less than one-half of that for non-manuals, and contributions assessed independently of pay were on a lower scale than those associated with earnings.

TABLE 25

Contributions of contributing members expressed as percentages of pay
Private and Public Sectors, 1963

Rate of contribution	Proportion of members	
	Private Sector	Public Sector
	%	%
2 per cent or less	35	20
2 and under 3 per cent	5	
3 ,, ,, 4 ,, ,,	25	5
4 ,, ,, 5 ,, ,,	20	
5 ,, ,, 6 ,, ,,	15	35
6 per cent and over	—	40
All rates	100	100

TABLE 26

Contributing members' average contributions
Private Sector, 1963

(£ per annum)

Type of member's contribution	Non-manual	Manual
Dependent on salary range... ...	45	20
Percentage of salary:		
(i) uniform	55	25
(ii) variable	45	15
Level amount independent of pay ...	20	5
Other basis	30	15
All types	40	15

EMPLOYERS' CONTRIBUTIONS

Private Sector Schemes

58. As in 1956, an attempt was made, in the study of the rules of schemes, to ascertain the form in which the employer contributed to the scheme. The categories adopted for this purpose, and a broad indication of the results, are set out in Table 27.

The proportions of members and of schemes were similar, and rounded percentages representing both are shown in the table. Further detail seems unnecessary, for it is clear that, in general, the balance of cost not met by the member was borne by his employer. The exceptions were mainly the schemes in which the benefits were related specifically to the contributions paid. These apart, the only valid distinction brought out by the analysis was between

"non-contributory" schemes in which the wbole cost fell on the employer and contributory schemes in which only the balance of cost remained to be met. A subsidiary inquiry showed that tbis last group was almost equally divided between "actuarial" and "other" methods of assessing the balance of cost, but this can hardly be of much significance because, whatever the rules may have said, the services of an actuary are almost always employed in one way or another.

TABLE 27

Types of contribution payable by employers
Private Sector, 1963

Type of employer's contribution	Proportion of cases
	%
Percentage of salary or stated amounts	5
Whole cost	30
Balance of cost not met by member ...	65
All types	100

59. The 1956 inquiry disclosed a proportion larger than in 1963 of employers paying contributions of standard amount—about twice as big as shown in the top line of Table 27—and it seems likely that this form of subvention has declined in popularity. This would not be surprising, because changes in the level of earnings, in taxation and in the impact of National Insurance render it unlikely that level-amount or fixed-percentage contributions by employers could remain appropriate for long in the majority of types of pension scheme.

Public Sector Schemes

60. In the public sector, normal contributions by employers were much more frequently expressed in terms of level amounts, or percentages of pay, than in the private sector. Table 28 gives the figures.

TABLE 28

Types of contribution payable by employers
Public Sector, 1963

Type of employer's contribution	Proportion of members
	%
Percentage of salary	48
Stated amounts	14
Whole cost	26
Balance of cost not met by member ...	12
All types	100

Altbough most members were covered by schemes in which the employer was recorded as paying stated amounts or percentages of salary, these amounts were

almost invariably accompanied by additional "deficiency" payments designed to meet the balance of cost. The figures are not fully comparable with those quoted in the Report on the 1956 inquiry, because a different system of classification has now been used; there was, however, no essential change in the provisions of the public sector schemes in this respect during the intervening years.

Special payments by employers

61. The private sector inquiries included questions as to the extent to which employers contributed specifically to meet certain types of benefits, and the results for 1956 and 1963 are given in Table 29.

TABLE 29

Proportions of schemes to which employers made special payments
Private Sector, 1956 and 1963

Type of benefit	Proportion of schemes receiving special payments			
	Insured schemes		Non-Insured schemes	
	1956	1963	1956	1963
	%	%	%	%
Back-service credit ...	53	35	38	25
Life assurance	45	60	—	5
Widows' pensions ...	—	—	5	5

Provision for life assurance appears to have become more common, but back-service credit costs were mentioned less frequently—possibly for the same reason as that given in paragraph 59 above in connexion with the decline in frequency of "specific" contributions by employers. Special provision for widows' pensions continues to be unusual.

Sizes of contributions

62. Table 30 shows the average amount of employer's contribution per member, according to type of contribution assessment, separately for non-manual and manual employees.

TABLE 30

Average amounts of employers' contributions per member
Private Sector, 1963

(£ per annum)

Type of employer's contribution	Non-manual	Manual
Percentage of salary or stated amounts	100	20
Whole cost	120	25
Balance of cost not met by member ...	70	30
All types	80	25

For the public sector the corresponding averages, in total, were roughly £90 (non-manual) and £50 (manual).

63. An investigation into the sizes of the contributions of employers, relative to those of the members, showed that the employer/member ratio tended to be higher than average where the benefits were expressed in terms of final salary, and lower than average in "salary range" schemes. This shows the effect of rising income levels, which affect the cost of final salary schemes more than for schemes in which the benefits correspond to earnings throughout working life. The balance of cost, falling as it does on the employer, is reflected in the ratio of his contributions to those of the members.

PENSION AGES

Minimum pension age (private sector)

64. A high proportion of private sector schemes had the same minimum ages for retirement on pension as are provided for in the National Insurance Scheme, viz., 65 for men and 60 for women. The estimated distributions of these ages, in the sector as a whole, separately for men and women, were as shown in Table 31.

TABLE 31

Distributions of pension schemes according to minimum pension age
Private Sector, 1963

Minimum pension age	Proportion of schemes	
	Men	Women
	%	%
Under 60	1	4
60	3	85
61–64	—	—
65	95	10
66 and over	1	1
Total	100	100

Insured schemes tended to adhere even more closely to the standard pattern, and the few exceptions—principally those where the men's age was 60 or the women's 65—arose mainly from the non-insured group. The results obtained in 1956 had been closely similar: 97 per cent of schemes then provided for men to retire on pension at age 65, and 80 per cent of schemes for women to become pensionable at age 60. There is thus little evidence of any change during the intervening years, except possibly that in 1963 even more schemes than before had 60 as the women's pension age; this is not surprising, as the National Scheme sets a pattern which it becomes increasingly inconvenient to disregard. It is worth adding that the Inland Revenue are unlikely to approve minimum pension ages below 60 except in special circumstances.

Members classified by minimum pension age

65. The numbers of men and women members of private sector schemes have been similarly classified, according to size of scheme, distinguishing non-manual from manual staff and insured schemes from non-insured schemes. The only important differences in the results arose from sex and insured status, for which the data are estimated to be as in Table 32.

TABLE 32

Distribution of members of pension schemes according to minimum pension age
Private Sector, 1963

Minimum pension age	Proportion of members			
	Men		Women	
	Insured	Non-Insured	Insured	Non-Insured
	%	%	%	%
Under 60	—	2	5	5
60	1	12	90	75
61–64	—	1	—	—
65	99	83	5	20
66 and over	—	2	—	—
Total ...	100	100	100	100

Comparison with the figures for 1956 previously published shows a very close similarity for men; 99 per cent then had 65 as their pension age in insured schemes and 79 per cent in non-insured schemes. For women, the corresponding proportions at age 60 were 62 per cent (insured) and 50 per cent (non-insured), which seem to confirm that the trend has been towards this age, although the extent of the change could be overstated because of sample variations and also because of a change in the system of membership "weights" similar to that described in paragraph 67 below.

Compulsory retirement

66. Investigations were made to ascertain whether the rules of pension schemes made reference to a compulsory retirement age, but only three schemes were found in the sample that contained any provision of this sort, and in these the ages mentioned were 65 for men and 60 for women. On the present occasion no inquiries were made into the ages at which people actually retire on pension. In 1956, the average ages were 65 for men and about 61 for women, but with a more uniform spread around these central points than is shown in Table 32.

Public Sector pension ages

67. Table 33 sets out the distribution of members of public sector pension schemes in 1963 according to the minimum pension age provided for in their rules, together with the corresponding figures for 1956:

TABLE 33

Distribution of members of pension schemes according to minimum pension age

Public Sector, 1956 and 1963

Minimum pension age	Proportion of members 1956 Men	1956 Women	1963 Men	1963 Women
	%	%	%	%
Under 60	3	5	12	17
60	60	89	48	83
61–64	—	—	3	—
65	37	6	37	—
66 and over	—	—	—	—
Total ...	100	100	100	100

In the public sector, age 60 is a much more common pension age, especially for men, than in the private sector. Between 1956 and 1963 the provisions of public sector pension schemes as regards retirement ages remained almost unchanged. The change in distribution shown in Table 33 is nearly all attributable to differences in the method of presentation of the figures. The apparent increase for men at ages under 60 is attributable to the inclusion of the Armed Forces in 1963; other alterations are due to the fact that the numbers of the sexes have now been used as "weights" for men and women separately, whereas in 1956 the numbers of members of both sexes combined were used throughout.

GENERAL NATURE OF BENEFITS AT NORMAL RETIREMENT AGE

Private Sector

68. The rules of schemes were examined in order to ascertain the nature of the benefits provided on retirement at pension age, and in particular whether these took the form of a pension or a lump sum. The results obtained, for private sector schemes, are given in Table 34.

In 4 per cent of schemes there was no payment of any kind at normal retirement age; these were arrangements providing only death benefits. In another 4 per cent of cases either a pension or a lump sum could be received, at discretion; such schemes were usually of a "provident fund" type, in which the payment was assessed as the equivalent of the contributions of the member and his employer, accumulated with interest. Pension and lump sum were provided together in only one scheme in the sample, but in 3 per cent of cases the benefit consisted of a lump sum alone. Finally, schemes providing pension accounted for nearly 90 per cent of the whole field; in some of these part of the pension could be commuted to a lump sum. It is interesting to note that, judging by the

Table 34

Pension and lump sum benefits on retirement at pension age
Private Sector, 1963

Benefit	Proportion of schemes
	%
Pension	89
Lump sum	3
Pension *and* lump sum	—
Pension *or* lump sum	4
Neither pension nor lump sum ...	4
Total	100

provisions for approval by the Inland Revenue (see paragraph 41 above) a member's option to commute a part of his pension into a lump sum often existed in schemes the rules of which make no reference to the availability of lump sum benefits (see also paragraph 79 below). The distribution varied little by class of member or insurance status of scheme. The membership of private sector schemes providing any benefit other than a pension at normal retirement age was relatively small, and 97 per cent of all members were in schemes providing a pension. This is a rather higher proportion than was revealed in the 1956 inquiry, when 90 per cent were found to be entitled to pension and 8 per cent to lump sum alone.

Public Sector

69. In the public sector of the economy, 74 per cent of members were in pension schemes providing both pension and lump sum and 26 per cent were in schemes providing pension alone. It is clear that the provision of a lump sum as well as a pension on retirement is a feature of public sector pension schemes that distinguishes them sharply from those in the private sector.

MANNER OF ASSESSMENT OF AGE PENSION BENEFITS

Form of age pension

70. One of the principal matters to which attention was paid in the inquiry was the way in which the main pension benefit was assessed. The results for the private sector are summarised in Table 35, showing the proportions of schemes, and of members, according to the form of this benefit.

Reference should be made to paragraph 83 below for the periods of time over which "salary" was averaged for the purpose of the second and third lines in Table 35.

71. Some types of scheme, such as those providing pensions of fixed amount, or pensions assessed in relation to contributions paid, were of common occurrence, but had relatively few members. Others, such as those providing a fixed

TABLE 35

Manner of assessment of age pension benefits

Private Sector, 1963

Form of age pension	Proportion of	
	Schemes	Members
	%	%
Dependent on salary range from time to time ...	29	29
Fixed proportion of salary	3	—
Fraction of salary for each year of service	12	23
Fixed amount	10	1
Fixed amount per year of service	9	26
As secured by contributions	10	4
Other bases	20	15
No pension provided	7	2
Total	100	100

amount or fraction of salary for each year of service, were clearly of above-average membership. The figures for pensions dependent on salary-range are higher than those given in Tables 22 and 23 for the proportions where members' contributions are so dependent, because some non-contributory schemes have this form of benefit. The same applies to some extent in respect of pensions and contributions based directly on salary, and for those of fixed amount, although for these categories there are further complications, namely that:

(i) Some contributions of these types are paid to schemes in which the pension is "as secured" and to those in which only a lump sum is provided.

(ii) The "other bases" for contributions and "other bases" for pensions—usually representing complications of one kind or another—do not always correspond to one another.

A similar lack of close correspondence between the general manner of assessment of pensions and of members' contributions was observed in 1956.

72. While "salary-range" schemes were mostly insured, and "salary-service" schemes were mainly non-insured, examples of all the types specified in Table 35 were found in both the insured and non-insured categories. Comparison of the distribution of schemes, and members, with 1956 for the private sector cannot be made very effectively because of changes in classification, but at least it seems clear that pensions of fixed amount per year of service now cover a larger proportion of schemes, and members, than before. This increase is associated with the growth of schemes for manual workers.

Public Sector pensions

73. In 1963, the pensions of no less than 73 per cent of members of public sector schemes were assessed as a fraction of salary for each year of service. This is virtually the same as in 1956. For most of the remainder—mainly mineworkers and railway employees—pensions were of a fixed amount per year of service, unrelated to pay.

Salary-range schemes

74. The sizes of pensions secured by schemes in which the benefits were assessed in relation to ranges of salary are illustrated in Table 36; for convenience, a level salary of £750 a year is assumed to have been earned over a 40-year period.

TABLE 36

Sizes of pensions secured by "salary-range" schemes
(a salary of £750 a year, for 40 years, is assumed)
Private Sector, 1963

Annual pension	Proportion of members
£	%
Under 200	5
200–349	20
350–499	60
500 and over	15
Total	100

Although occasionally tbe rate of accrual of pension was lower for women than for men, in many schemes the provisions were the same for both sexes; thus no great difference between men and women emerged in the tabulations. If a rising salary had been assumed, which would have been more realistic, a lower ratio of pension to final salary would have been shown than that implicit in Table 36, but it was impracticable to pursue the inquiries into the provisions of the rules in sufficient detail to enable a calculation of this kind to be made.

Salary-service schemes

75. Comparable data for schemes in which the pension was expressed in terms of service and actual salary (whether average, final average or final—for details see paragraph 83 below) are given in Table 37. Once again, a salary of £750 a year and a 40-year period of service are assumed:

TABLE 37

Sizes of pensions related to salary and service
(a salary of £750 a year, for 40 years, is assumed)
Private Sector, 1963

Annual pension	Pension fraction	Proportion of members
£		%
Under 350	—	—
350–499	80ths	65
	other	5
500 and over	60ths	25
	other	5
All amounts		100

In the majority of such schemes, a pension fraction of one-eightieth was adopted, but a fraction of one-sixtieth was also in common use. These two together

accounted for a high proportion of the membership, but other fractions varying up to one-fortieth were encountered, while there are schemes based on one-hundreths and even lower proportions. Pension fractions tended to be bigger in the larger schemes. In 1956, nearly one-third of members of private sector schemes of this type were shown to be on a scale of one-sixtieth, and about one-quarter on a scale of one-eightieth. A trend towards the use of eightieths seems a possibility, and this was, and is, the usual rate in the public sector (where, however, the addition of a lump sum retirement benefit greatly enhances the value of the pension).

76. The lowest lines of figures in Tables 36 and 37 indicate pensions of more than two-thirds of final salary; in fact, an upper limit of this amount would be required for tax approval. This has been ignored for the purpose of the presentation.

Level benefits

77. Schemes in which a level annual amount was credited for each year of service were mainly for manual workers. They provided relatively small benefits, the pension being in almost every case less than 50 shillings a year for each year of service or less than £2 a week after 40 years' service. Some of them were probably schemes set up to provide pension benefits equivalent to the graduated pensions provided under the National Insurance Scheme (if so, the rate of accrual will have been raised since 1963).

Type and size of pension

78. In connexion with the analyses made in paragraphs 74–77, it is of some interest to classify the expenditure on current private sector pensions by type of pension provision. In Table 38, there is shown, for each of three main types, the distribution of pensions by size and the proportion of expenditure in 1963 on each.

TABLE 38

Pensions expenditure by type of provision

Private Sector, 1963

Size of annual pension	Proportions of schemes with average pension in payment of given size		
	Salary-range	Salary-service	Fixed sum for each year of service
£	%	%	%
1–49	20	10	55
50–99	30	15	25
100–149	25	20	10
150–199	10	15	5
200 and over	15	40	5
Total	100	100	100
Proportion of total pension expenditure	15%	60%	5%

As the foot of the Table shows, the three categories of scheme together accounted for 80 per cent of the pension expenditure; the remaining 20 per cent was accounted for by pensions "as secured by contributions" and on other bases. In the upper part of the Table is shown the percentage of schemes in which the present average pension expenditure was of the size range shown. The differences between the three types of scheme in this respect reflect not only their general level of provision but also their relative maturity. Salary-service schemes, having existed the longest, were the most mature in regard to pension expenditure, whereas schemes providing fixed sums per annum had the shortest history.

LUMP SUM BENEFITS ON RETIREMENT

Commutation

79. As was shown in paragraph 68 above, schemes in which the expressed object was to provide a lump sum benefit on retirement were uncommon in the private sector. It is, however, evident from the proportion of schemes other than those wholly approved under Section 379 (see paragraph 41 above) that over a wider field there was at least the possibility of part of the retirement benefits being taken in lump sum form. Further questions were asked, in the Inland Revenue survey of the rules of schemes, to ascertain the conditions under which lump sum might be taken, viz., whether the pension was wholly commutable, or commutable only to the extent of one-quarter, or whether the lump sum was calculated independently of the pension, and if so how. As would be expected, wholly commutable pensions corresponded to unapproved schemes or to those coming under Section 387, and pensions commutable in part corresponded to schemes approved under Section 388 or only partially approved under Section 379. No inquiries were made as to the extent to which commutation is exercised in practice, but it is general knoweldge that this is a frequent occurrence. In the few cases encountered where the lump sum was separately assessed, the benefits were of fixed amount or assessed as a function of the contributions paid. In the public sector, where the majority of schemes provided lump sums on retirement in addition to pension, the lump sum was usually calculated in a manner similar to the pension, that is, in relation to length of service and final average salary.

CONDITIONS FOR AGE PENSION AND LUMP SUM BENEFITS

Qualifying periods of membership

80. This section of the Report relates to qualifying periods of membership for pension purposes, modification or abatement of pensions and the definition of "salary" for pension computation purposes. So far as qualifying periods are concerned, it is believed that ten years is normal, but a question on this subject produced a definite answer in only a small proportion of schemes. This was probably because the same effective result is obtained by means of upper age-limits for entry which, the 1956 inquiry showed, are commonly imposed, the normal upper limit being 55 or 50, viz., ten years before pension age. It was also inquired whether the rules of schemes provided for any abatement of pension

in the event of re-employment after retirement on ground of age. Only one scheme in the private sector was recorded as containing this power, although this is possibly an understatement of the true position. It is, however, common practice in public service schemes on re-employment in the same service, or in an allied service.

Modification for National Insurance

81. The extent to which pension was "modified" in the light of the National Insurance Scheme was investigated. "Modification" has a special meaning; its absence does not imply that in designing the scheme no thought was paid to the fact that the State provides pensions. But its presence does mean that a *specific* allowance is made for the State pension, e.g., by deducting a related amount from contributions and benefits. In 1956, it was found that 8 per cent of members of private sector non-insured schemes, and 54 per cent of members of public sector pension schemes, were affected by such specific modification arrangements. A figure was not obtained for private sector insured schemes, because in these any modification is usually effected by excluding part of earnings from reckonable salary for pension purposes. A similar enquiry on the present occasion produced a generally similar result: about 5 per cent of members of private sector pension schemes were shown to be liable to have their pensions modified in respect of flat-rate national pensions, and most of these were in non-insured schemes. For the public sector, modification again affected over one-half of the members.

82. The introduction in 1961 of National Insurance pensions graduated with earnings led, in the private sector, to an extension of modification related to this element of National Insurance, and over 10 per cent of members were subject to this. They were, needless to say, in employments not contracted out of the Graduated National Scheme.

Averaging of salary

83. Where pension was expressed as a proportion of salary, it was of interest to determine whether final salary, or salary averaged over some period of time, was used, and what was the distribution of time-periods. Two-thirds of the members covered by such schemes in the private sector had their salary averaged over 3 years. Most of the rest had their pensions based on final salary or on a 5-year average. In the public sector, 3 years continued to be the period applicable to the majority of members. These results confirm those of 1956 except in one particular: according to the 1956 inquiry, 5 years was a more popular average than 3 years for insured schemes; the position was reversed in 1963.

AUGMENTATION OF PENSION

Late entrants

84. Employers were asked whether they had a practice of augmenting the pensions of employees who entered their schemes in middle life having no pension rights from other sources (apart from the National Insurance pension or small paid-up benefits from a previous employer) and bringing no transfer value with them. In the public sector it was clear from the replies that such a

practice was rare: the proportion of employees affected was minimal. In about 70 per cent of private sector schemes, covering a similar proportion of members, the employer said he had no practice of this kind; in another 15 per cent of cases the question was regarded as inapplicable, either because staff had not been taken on in middle life or because the pension scheme was closed to new entrants. About 15 per cent of employers said, however, that their habit was to give augmentation in selected cases, although the general impression obtained from the replies was that only a minority of new employees would qualify. The answers given by a few employers appeared at first sight to indicate a more general policy of augmentation; but a closer study of the circumstances suggests that it would be unsafe to rely too heavily upon the rather vague information given; it may well be that the practice in these cases is not so universal as it might appear. Augmentation of the standard pension provision must therefore be an uncommon event in industry generally for those who change jobs in middle life.

Augmentation at retirement

85. Employers were also asked whether they augmented pensions at the moment of retirement, on grounds of their insufficient size. The replies indicated that such augmentation was given in nearly 20 per cent of schemes, principally in connexion with benefits of fixed amount or pensions based on salaries averaged over a considerable period of time. A high proportion of employers indicated that they had not yet been called upon to decide whether or not to pursue a policy of augmentation: as has been shown above, in Table 12, many of the sampled pension schemes had no pensioners. Assuming that in a corresponding proportion of these immature schemes there will be some augmentation when their members begin to reach pension age, the proportion of schemes in which there is augmentation will ultimately rise to at least 35 per cent. No significant difference between the treatment of manual and non-manual employees was disclosed by the analysis, but there was a tendency for augmentation to be given more frequently in large pension schemes than in small schemes.

86. The proportion of members of schemes in which it was the practice to augment at retirement was already about 30 per cent of the membership of all sampled schemes. The general basis of augmentation most frequently found related to the current rates of pay in the firm: this applied in more than one-third of the schemes of augmenting employers. Movements in the cost of living generally were the criterion in about 15 per cent of such schemes. In another 15 per cent of these schemes the financial state of the pension fund was given as the yardstick; in the residue of schemes unspecified considerations held sway, or the employer stated that he had not settled on any fixed practice. Some employers indicated that they had regard to two or even three of the suggested criteria when deciding to augment.

Augmentation after retirement

87. Employers were asked to what extent they augmented pensions after retirement, and those that indicated that they do so represented 10–15 per cent of sampled schemes. This proportion varied with the number of pensioners, rising from zero where there were none to nearly one-half where there were 100 pensioners or more; it may thus be expected to rise in the direction of 25 per cent, or even more, as the schemes mature. Already, about 25 per cent of members of schemes and over 60 per cent of pensioners were within the scope of this form of augmentation. As would be expected, the basis of computation

most frequently mentioned was movements in the cost of living (35 per cent of augmenting schemes), after which the financial state of the pension fund was the most popular criterion (25 per cent). But in nearly one-third of the cases the employer indicated that he had no fixed method of assessment. Manual and non-manual staff were generally treated alike.

Augmentation in the public sector

88. Augmentation of pensions in the public services is governed by the Pensions (Increase) Acts, and most of the nationalised industries and corporations follow suit with broadly similar provisions. Virtually all the members are therefore eligible for augmentation of pension after retirement, and today about 700,000 of the one million or so public service pensioners are in receipt of increases, viz., all but those who have retired too recently to need augmentation or are below the minimum age of 60 and not in bad health.

BENEFITS ON ILL-HEALTH AND OTHER EARLY RETIREMENT

Ill-health

89. The 1956 inquiry showed that all public sector pension schemes provided an immediate pension on ill-health retirement, and most non-insured private sector schemes did so too, whereas in insured private sector schemes there was usually no special reference to any benefits on ill-health: this meant that, in insured schemes, persons obliged to retire early would be treated in the same manner as those leaving the Company's service voluntarily—a pension would be provided only on retirement within five or ten years of normal retirement age. In the public sector the basis of assessment of benefit was the accrued rights, but in the private sector a scaled-down amount, often much smaller, was usually granted unless commencement of pension was deferred until minimum retirement age.

90. In the new investigation it was found that, for the private sector, only about 8 per cent of schemes, covering a similar proportion of members, granted ill-health benefits equal to the accrued rights; the remainder, with an exception mentioned in paragraph 91 below, gave smaller benefits. In the public sector, as in 1956, the basis of assessment was invariably the accrued rights.

91. A sub-sample of private sector schemes was selected for closer study of the 1963 provisions, with the following results:

(*a*) One scheme was found in which the ill-health pension was based on the service that would have been rendered if retirement had not taken place until the normal age.

(*b*) The foregoing scheme, and those providing what might reasonably be regarded as immediate full accrued pension rights on ill-health retirement, were non-insured schemes.

(*c*) With few exceptions, e.g., schemes for death benefits alone, the remaining schemes, both insured and non-insured, provided an immediate ill-health pension variously described as being based on:

- (i) the member's interest in the fund;
- (ii) the contributions paid by and on behalf of members;
- (iii) the discounted value of a pension deferred until the normal retiring age;

(iv) the value of the insurance policy;
(v) the discretion of the Trustees.

The five bases under heading (*c*) may be regarded as being broadly equivalent, with the possible exception of (v)—with its greater flexibility—and of one version of (ii) in which it was stated that only the member's own contributions were to be taken into account.

Other early retirement

92. In cases of type (*c*) of paragraph 91, the benefits provided on early retirement, otherwise than on account of ill-health, were identical with the ill-health benefits. For schemes classified under (*a*) and (*b*) the benefits paid otherwise than on account of ill-health were similar to (*c*): these benefits were invariably restricted to those leaving within a few years—usually ten—before minimum retirement age. It would appear that there had been little change since 1956 in the provisions for ill-health and early retirement in private pension schemes. It is believed that some employers supplement these provisions with additional payments, but no information on such supplementation was obtained from the inquiry. In the public services, early retirement (not due to ill-health) with preservation of accrued rights was often possible within the last few years preceding minimum pension age, but the payment of the benefit did not normally begin until that age was attained.

DEFERMENT OF RETIREMENT

Increase of pension for deferment

93. In the 1956 investigation, it was shown that, apart from some schemes in the private sector for which the rules contained no reference to the matter, provision was normally made for enhancing pensions where retirement was deferred beyond the minimum pension age. In the public sector most members were covered by schemes in which, subject to a maximum period of deferment (often of five years), the length of service reckoned for pension purposes was extended to include the period of deferment, counted on the same basis as for earlier normal service. In the private sector the preferred method, especially in insured schemes, was an actuarially-equivalent increase in the pension.

94. The new inquiry has shown that the position has remained much as it was in both sectors. For the private sector, the members were found to be distributed as shown in Table 39.

TABLE 39

Augmentation of pension on deferment of retirement
Private Sector, 1963

Augmentation	Proportion of members
	%
None provided for	12
Additional service reckoned at normal rate	6
At the discretion of the Trustees	14
Actuarially assessed	68
Total	100

The group of schemes containing no provision for augmentation included cases where this would not be applicable or appropriate, e.g., schemes for death benefits only. "Actuarially assessed" increase included (i) stated percentage increases for each year of deferment and (ii) insured schemes where the sum assured was accumulated at compound interest, as well as (iii) cases in which the rules referred specifically to calculations by the actuary.

ALLOCATION OF PENSION IN FAVOUR OF A WIDOW OR OTHER DEPENDANT

Private Sector

95. It was found in 1956 that members of many schemes were permitted by the rules to elect to give up a part of their pension on retirement, so that a reversionary annuity could be payable to a widow or other nominated dependant. One-half of the members of non-insured schemes, and nearly all members of insured schemes, in the private sector and three-quarters of members in the public sector had been granted this facility. In the 1963 investigation, employers were asked to state the numbers of members of their schemes who would have, at some future time, an option to secure a pension for their widows. The answers for the private sector showed that nearly two-thirds of all the male members of these schemes had such an option. The 1956 results were thus broadly confirmed, although the new proportions were a little on the low side. This, however, could well have been because of omissions by employers who, judging by the number of queries that were raised, found this question difficult to answer. The proportions were much the same for manual and non-manual staff considered separately.

Public Sector

96. For the public sector, the proportion of members proved to be very much the same as in 1956, as would be expected since there had been no essential changes in the rules. Many of these members were covered also for widows' pensions (in the private sector a combination of widows' pensions and allocation was rare). The total numbers of men estimated to be able on retirement to allocate pension in favour of a widow are shown in Table 40.

TABLE 40

Estimated numbers of men who, on retirement, would have an option to allocate part of their pension in favour of a widow

Private and Public Sectors, 1963

	(millions)
Private Sector—Insured schemes	3
Non-Insured schemes	1
Public Sector —Covered also for widows' pensions	1½
Not otherwise covered for widows' pensions	½
Total	6

The total numbers of pensioners who had actually allocated pension are not known, but in public sector schemes relatively very few have taken advantage of the option, whether or not there were alternative arrangements for widows' pensions.

WIDOWS' PENSIONS

Numbers of members covered

97. Employers were also asked to state the numbers of male members whose wives would be unconditionally entitled to widows' pensions if they survived their husbands. The results on a national basis are given in Table 41.

TABLE 41

Estimated numbers of male members and pensioners covered for a widows' pension

Private and Public Sectors, 1963

(millions)

	Active	Pensioners
Private Sector		
Insured schemes	0·1	—
Non-Insured schemes ...	1·0	0·1
Public Sector	2·1	0·4
Total	3·2	0·5

98. For the public sector the numbers were much the same as they had been in 1956. Figures for the private sector are not available from an earlier comparable investigation, but it is possible to compare the results in Table 41 with those derived from the enquiries into the provisions of the rules in both 1956 and 1963. In 1956 it was found that virtually no insured schemes provided widows' pensions, but among non-insured schemes in the private sector the proportion of membership in schemes providing widows' pensions was 23 per cent for deaths in service and 12 per cent for deaths after retirement. The 1963 investigation has shown a broadly similar result. Only about 2 per cent of insured schemes provided this facility. For non-insured schemes the proportion providing widows' pensions was about one-third for death in service and one-fifth for death after retirement—an appreciable increase since 1956. The proportion of members of all private sector schemes who were covered unconditionally for widows' pensions was about 20 per cent, a figure which appears reasonably consistent with the numbers of men stated by the employers to be covered.

Form of pension

99. The form of widow's pension most often encountered in the new inquiry was a proportion of the husband's pension; although some benefits were expressed as a fraction of pensionable salary for each year of service, this amounted to the same thing in many cases. In a number of schemes the husband's

pension was guaranteed for a fixed period—usually five years—and if he were to die within this period it would continue to be paid for the balance of the term. These schemes provided, in effect, a temporary widow's pension on death after retirement (see paragraph 102 below). Other forms of temporary widow's pension were not encountered in the inquiry.

DEATH BENEFITS OTHER THAN WIDOWS' PENSIONS

Death in service

100. It is customary for benefit of some kind or other to be awarded on death in service. The 1956 inquiry showed that only a small proportion of members of private sector schemes were not provided for in this way, and death benefits of some sort or another were universal in the public sector. Whereas, however, widows' pensions were the normal provision in the public sector (often accompanied by lump sums), schemes in the private sector commonly provided a lump sum payment only. For the 1963 inquiry, provision was made for the analysis of schemes, and their membership, according to the following categories of benefit other than a widow's pension:

(i) Lump sums to widows.
(ii) Lump sums to personal representatives.
(iii) Benefits to other dependants.
(iv) Other benefits.

In the new inquiry, about 90 per cent of schemes in the private sector were found to provide some form of lump sum benefit on death in service. The exceptions were mainly schemes with no advance financial provision and a few of the non-contributory schemes. Cases were found in which no lump sum was given because there was an arrangement for widows' pensions, but most of the schemes providing widows' pensions on death in service contained arrangements for lump sum benefits as well, usually as an alternative designed for the benefit of dependants of bachelors and widowers. The lump sum was almost invariably expressed as an amount payable to legal personal representatives. Benefits in this form to widows as such were virtually non-existent, but a few schemes provided for children or other dependants to receive the money, and some rules contained alternative provisions between which the Trustees could choose.

101. In the public sector, lump sum benefits were usually provided as well as widows' pensions on death in service. As in 1956, all staff were covered for some form or other of death benefit, and this was equally true of death after retirement.

Death after retirement

102. In the private sector, benefits on death after retirement were less widespread than benefits on death in service. Between one-quarter and one-third of members had been found in 1956 to be in schemes which contained no arrangements (apart from voluntary allocation) for any payments on death after retirement. About one-half of members were in schemes in which the only benefit was of a temporary nature, i.e., only deaths occurring very soon after retirement would attract any benefit. On the inquiry form on the present

occasion, provision was made for an analysis of schemes according to type of benefit on death after retirement; the items were the same as those shown in paragraph 100 above, with the addition of an item relating to the payment of outstanding instalments of an annuity for a given guaranteed period. It was found that about one private sector scheme in five gave no benefit on death after retirement. These were mostly non-contributory schemes. The remainder provided, in the majority of cases, a lump sum payable to legal personal representatives, and in a minority of cases outstanding instalments of guaranteed annuity. No inquiry was made into the nature of the lump sum payable to the representatives, but from general experience there is little doubt that it would take the form of "balance payments" designed to ensure that those who died shortly after entering upon pension would be treated no less favourably than those who died shortly before pension age. A few schemes contained provisions in which children or other dependants were specifically mentioned.

PRESERVATION OF PENSION RIGHTS ON DISMISSAL OR WITHDRAWAL FROM EMPLOYMENT

General

103. When a member leaves his employment voluntarily, or is dismissed, the rules of pension schemes normally provide one or other of two general arrangements:

(i) A cash sum may be paid representing the member's accumulated personal contributions, with or without interest; if the scheme is non-contributory for members, or if the refund is absorbed in respect of "payments in lieu" under National Insurance, no benefit at all may be paid; in either event, pension rights are not preserved apart from those under the National Insurance Scheme.

(ii) Pension rights may be preserved for the member, wholly or partially, either in the scheme or by a payment to another scheme or to an insurance company.

Item (i) may be regarded as a minimum "fall-back" benefit and is almost universal in its incidence. Item (ii) may be given unconditionally but normally is granted at the option of the member, or the employer, or both.

Dismissals in the private sector

104. An analysis of the rules of private sector pension schemes in respect of preservation on dismissal disclosed that the schemes and their membership were distributed approximately as in Table 42.

In this statement, "no preservation" represents (i) above, and "preservation" represents (ii). Case (*b*) includes schemes where, if the employer elects to preserve pension, the employee may still choose a refund of contributions instead. Although similar matters had been investigated in 1956, the questions were posed in a different form, and close comparisons are not therefore possible. Nevertheless, the extent of preservation appears to have increased considerably.

105. The extent and nature of the preservation are not revealed in Table 42. In some cases the benefit preserved was the equivalent only of the member's own contributions while, in others, it was the equivalent of the contributions of

TABLE 42

Preservation of pension on dismissal
Private Sectar, 1963

	Proportion of	
	Schemes	Members
	%	%
(*a*) No preservation	15	20
(*b*) Preservation at employer's option ...	15	10
(*c*) Preservation at member's option ...	55	60
(*d*) Preservation in all cases	15	10
Total	100	100

the member and the employer, but the relative numbers of each of these two types are not known. Supplementary analysis has shown that the form of the preservation was a deferred annuity in almost every case—lump sum benefits were almost non-existent (except to the extent that part of the annuity might be commutable). Qualifying periods were uncommon. The possibility of a transfer value existed in about one-third of schemes, covering about 50 per cent of members.

Voluntary withdrawals in the private sector

106. As the following figures show (Table 43) the position for voluntary withdrawals was similar to that for dismissals, except that preservation was less frequently at the member's option and more often at the employer's discretion.

TABLE 43

Preservatian of pension on voluntary withdrawal
Private Sector, 1963

	Proportion of	
	Schemes	Members
	%	%
(*a*) No preservation	20	30
(*b*) Preservation at employer's option ...	50	40
(*c*) Preservation at member's option ...	20	20
(*d*) Preservation in all cases	10	10
Total	100	100

The form of the preservation was a deferred annuity in schemes covering about 50 per cent of members, while the possibility of a transfer value existed in schemes covering about 40 per cent. This again represented a considerable change since 1956.

The public sector

107. In the pension schemes for the public sector of the economy, the corresponding proportions of members were (Table 44):

TABLE 44

Preservation of pension on exit
Public Sector, 1963

	Dismissal or voluntary withdrawal
	%
(*a*) No preservation	20
(*b*) Preservation at employer's option	65
(*c*) Preservation at member's option	15
(*d*) Preservation in all cases	—
Total	100

Preservation was mostly by transfer value.

The experience in 1963

108. The total number of people leaving pensionable employment in the private sector, in the year 1963, by withdrawal or dismissal is estimated to have been more than 500,000, or about 7 per cent of the membership. Table 45 shows the numbers who are estimated to have received various types of benefit.

About one-quarter of those who left received no benefit and most of the remainder received a refund of personal contributions, usually because this was preferred by the employee to other benefits. Preservation was effected in less than 10 per cent of cases, mostly by the grant of a deferred pension. The proportion of cases in which no benefit was granted corresponds broadly to the proportion of schemes to which the employees did not contribute.

109. Figures for the public sector corresponding to those for the private sector given in the preceding paragraph appear in Table 46.

The total exits—nearly 300,000—represented about 7 per cent of the population at risk. The distribution according to type of preservation was, however, somewhat different from that in the private sector. There were fewer cases where no benefit of any kind was payable; the reason is that, in the non-contributory schemes for the Civil Service and Armed Forces, gratuities might be paid; these are included under "other action" in the penultimate line. There were proportionately more cases where personal contributions were refunded, but here the weight fell upon the second category, showing that on the whole there was little option to select other benefits. Preservation of pension, which occurred with a frequency slightly lower than that in the private sector, was mostly in the form of transfer values. Most of the deferred pensions were in respect of teachers.

TABLE 45

Exits from employment
Private Sector, 1963

(numbers in thousands)

	Type of exit				Total
	Withdrew voluntarily		Dismissed		
	Less than 10 years' pensionable service	10 or more years' pensionable service	Less than 10 years' pensionable service	10 or more years' pensionable service	
Pension rights fully preserved by grant of deferred pension ...	19	11	2	1	33 (6%)
Pension rights partially preserved by grant of deferred pension ...	8	1	—	—	9 (2%)
Transfer value paid whether in resect of fully or partially preserved pension rights	2	1	1	—	4 (1%)
Return of personal contributions (with or without interest)					
(i) Preferred by employee to other benefits	209	15	14	1	239 (44%)
(ii) No option to select other benefits ...	84	7	5	2	98 (18%)
No benefit of any kind ...	135	4	4	—	143 (27%)
Other action	6	3	—	—	9 (2%)
Total	463	42	26	4	535 (100%)

Theory and practice

110. A close correspondence between the details of the preservation actually given and the provisions of the rules should not be expected, for three reasons. First, the form of the questions asked differed somewhat. Secondly, the rules show what is possible, often at the discretion of some person, whereas the data show how the discretion was exercised. Thirdly, the data based on the rules are weighted with total membership, whereas the exit data incorporate rates of

TABLE 46

Exits from employment
Public Sector, 1963

(numbers in thousands)

	Type of exit				Total
	Withdrew voluntarily		Dismissed		
	Less than 10 years' pensionable service	10 or more years' pensionable service	Less than 10 years' pensionable service	10 or more years' pensionable service	
Pension rights fully preserved by grant of deferred pension ...	3	1	—	1	5 (2%)
Pension rights partially preserved by grant of deferred pension ...	—	—	—	—	— (0%)
Transfer value paid whether in respect of fully or partially preserved pension rights	11	3	—	—	14 (5%)
Return of personal contributions (with or without interest)					
(i) Preferred by employee to other benefits	18	2	—	—	20 (7%)
(ii) No option to select other benefits ...	180	14	4	—	198 (66%)
No benefit of any kind ...	44	4	—	—	48 (16%)
Other action	11	2	—	—	13 (4%)
Total	267	26	4	1	298 (100%)

withdrawal, which may vary from scheme to scheme in association with the degree of preservation of pension. Nevertheless, comparison of the two sets of figures is of interest.

111. As Table 45 shows, 139,000 voluntary withdrawals in the private sector received no benefit (28 per cent of the 505,000 voluntary withdrawals); and 91,000 (18 per cent) received only a refund, without any option; the total of 46 per cent is much higher than the figure of 30 per cent with no preservation

quoted in Table 43 above. The excess is attributable to the fact that many of the employers (employing 40 per cent of members) who had an option to preserve pension did not exercise this option. For dismissals, 13 per cent and 23 per cent respectively received no benefit or a refund; thus 36 per cent had no preservation—compare 20 per cent in the rules (Table 42). For the public sector, 16 per cent with no benefit and 66 per cent with a refund, without option, or 82 per cent in all, correspond with 20 per cent in Table 44 (all forms of exit). Most exits are from the public sector to the private sector, and in such cases preservation is rarely granted.

112. It remains to consider the exercise of the member's choice between refunds and some form of preservation; the figures are in Table 47.

TABLE 47

Members' choice of benefits on exit
Private and Public Sectors, 1963

	Proportion of members	
	who accepted refunds or preservation	for whom the rules provided an option for preservation
	%	%
Private Sector dismissals		
Refunds preferred	50	60*
Preservation accepted (or other action) ...	14	
Private Sector voluntary withdrawals		
Refunds preferred	44	20*
Preservation accepted (or other action) ...	10	
Public Sector exits		
Refunds preferred	7	15*
Preservation accepted (or other action) ...	11	

* With some addition for the exercise of the member's choice in cases where the employer elected to preserve.

Members clearly preferred refunds to preservation. This preference is even more evident when it is remembered that the lines for "preservation accepted" include cases where no refund was available, viz., in non-contributory schemes.

Analysis by type of staff

113. It is possible to analyse the provisions of the rules as to preservation on dismissal or withdrawal between what is applicable to men and what is applicable to women, but little difference between the sexes is disclosed. It is also possible to make a sub-division between manual and non-manual staff, and this shows that deferred annuities were given as of right more frequently for manual staff than for non-manual staff; the availability of refunds of contributions, if

chosen by the employee, was slightly lower for manual staff than for non-manuals. These differences are not very marked. Table 48 below shows the distribution of actual exits according to the nature of the benefit granted, figures being given separately for schemes which catered for non-manual staff only and schemes which catered for manual employees only. The extent of preservation was slightly higher in the "manual" schemes than in the others.

TABLE 48

Preservation according to category of staff covered
Private Sector, 1963
(Dismissals and withdrawals together)

	Non-manual staff only	Manual staff only
	%	%
Pension rights preserved ...	5	15
Refund preferred by employee	50	50
Refund paid without option ...	25	5
No benefit, or other action ...	20	30
Total	100	100

Transfer values

114. Power to accept transfer values existed in about one-quarter of private sector pension schemes; the larger the scheme the more likely it was to be able to do so. About one-half of all the members of private sector pension schemes were covered by schemes having this power. (Power to *pay* transfer values existed in about one-third of schemes, covering some 50 per cent of the membership—see paragraphs 105 and 106 above). A question about qualifying periods revealed that where transfer values are available it was rare to impose any qualifying period. The manner in which transfer values were calculated was not normally made clear in the rules; in view of the complications involved the amount was usually left to the actuary to calculate, or to the discretion of the Trustees acting on the advice of the actuary.

GENERAL REMARKS

Variety of Schemes

115. When deciding what features they would like to see included in their pension schemes, employers and employees alike tend to look at other schemes to see what parallels might be drawn. They know of particular schemes, but often have little information as to what is the common practice throughout the generality of pension arrangements. The foregoing sections of this Report will, it is hoped, provide some useful data for reference purposes. They are, however, arranged in a long sequence of commentaries on specific aspects of schemes and do not present a picture of a typical scheme seen as a whole. This Report had to be written in this way because, essentially, no "typical" scheme exists,

in the sense that a material proportion of all pension arrangements conform to it at all points. A "model" scheme is rarely adopted, even when offered by a life assurance company, because pension arrangements need to be flexible and almost always there is a need for some adaptation or another to the needs of the particular employment.

116. As an example of the variety of schemes, some data for a sample of pension schemes of very small size of membership are of some interest. It might well be believed that where a dozen members or fewer belong to a scheme, there might be a greater tendency towards uniformity than for larger schemes, because there would be fewer interests to be satisfied and because small employers might well have less time and energy than large firms to give to detailed adaptation. Yet, taking only two major features—the general basis of contribution and the general basis of pension—in a sample of 40 small schemes no less than 21 different combinations of these two elements were found. Clearly, one does not have to look at many further aspects of the schemes to find that each one in the sample is unique. Although the number of possible practical choices at any given point is not large, each scheme contains a large number of provisions, relating to the various eventualities that can occur, and it is in the multifarious combinations of these choices that the schemes differ.

SUMMARY

117. A representative sample of some two thousand firms, of greatly varying size, was selected for investigation. Although only about 70 per cent of those with pension schemes supplied in full the particulars requested, it was nevertheless possible from other sources of information to find out a good deal about almost all of them. Similar information was obtained for public sector authorities.

118. By the end of 1963, there were some 60,000 pension schemes, not counting those consisting merely of individual arrangements for selected staff. The firms concerned employed some 20 million persons, but of these only just over one-half were pensionable. By 1965, about 12 million persons in the United Kingdom were covered by schemes; (compare 8 millions in 1956).

119. In 1963, in round figures 4 million persons were pensionable in the public sector, in non-insured funds and schemes; in the private sector, 7 million were pensionable—4 million in insured schemes and 3 million in private funds. About one-half of schemes provided for only non-manual staff, or for only manual staff; the other half included both types of employee.

120. There were about 1·8 million pensions in payment in 1963; 300,000 of these were to widows. About 60 per cent of the pensioners were in public sector schemes.

121. In 1963, members of private sector schemes contributed £120–£150 millions—the precise figure depending upon the definition of "contribution" adopted; employers paid about £350 millions. The corresponding figures for the public sector were £110 millions and £285 millions, making a grand total of nearly £900 millions, which has probably since risen to over £1,000 millions.

122. Total pensions expenditure in 1963 amounted to some £365 millions, viz., £240 millions in the public sector and £125 millions in the private sector.

While the average annual pension was about £4 a week, the amounts payable in individual cases ranged very widely.

123. The great majority of private sector schemes are insured—the smaller the scheme the more likely this is; most are administered under the control of Trustees. Many schemes are of recent inception, in their present form at least, and are approved for tax purposes either wholly under Section 379 or wholly under Section 388 of the Income Tax Acts. Between one-third and one-half of all schemes have at least some members who are in non-participating employments for National Insurance Graduated Pension purposes.

124. Minimum entry ages are common, but are mostly young, especially for men, for whom ages 21 or under are usual; qualifying periods of service are also common, but mainly fairly short—one or two years being usual.

125. Between one-quarter and one-third of members of pension schemes do not themselves pay contributions. The remainder pay either level annual sums or amounts related to salary. The average contribution paid by contributors in 1963 amounted to about £30 but there was a considerable dispersion round this average.

126. Employers, who on the average contribute more than twice as much as members, are usually committed to meeting the balance of cost of the scheme. Many also pay additional sums to support life assurance benefits and back-service credit arrangements. Their contributions per member also range widely.

127. Minimum pension ages in the private sector are tending more and more to conform with the pattern laid down by the National Insurance Scheme, viz., 65 for men and 60 for women. In the public sector, however, age 60 is still a common minimum retirement age for both sexes.

128. Benefits payable at normal retirement age in the private sector usually take the form of a pension alone (part of which may be commutable), but public sector schemes mostly provide both pension and lump sum. A high proportion of pensions are determined in one or other of six standard ways, each with its associated forms of member's personal contribution (where members contribute). A qualifying period of ten years' service is believed to be normally required for pension, although not always written as such into the rules.

129. Lump sum benefits on retirement are not usually provided for in the rules of private sector pension schemes, but may be obtained by commutation of pension in some cases; in the public sector, however, they supplement the value of pensions quite considerably.

130. Most employers do not make special improvements in the pension prospects of those who join them in middle life, without accrued rights, and those employers who do so are very selective in their choice of staff for this purpose.

131. In about one scheme in three, in the private sector, pensions awarded have been augmented at the moment of retirement. In a slightly lower proportion of schemes, pensions have been augmented after retirement. A variety of reasons for, and bases of, augmentation exist. In the public sector, a high proportion of pensions have been augmented, always after retirement.

132. On ill-health retirement before the normal age, pensions are based on accrued rights in the public sector. In the private sector, the amounts of the pensions are normally well below the "accrued rights" level.

133. Nearly all pension schemes provide for deferment of retirement, with an enhancement of the amount of the pension. The extent of the enhancement is usually greater in the private sector than in the public sector.

134. The wives of some 3 million men are eligible for a widow's pension, and 6 millions will, on retiring, be given an opportunity to "allocate" part of their pension in favour of a dependant; while both these types of arrangement are customary in public sector pension schemes, the provision of widows' pensions—otherwise than by "allocation" of pension on retirement—is unusual in the private sector, though becoming more common.

135. The payment of lump sums on death in service is a normal provision. Lump sum benefits are not normally paid on death after retirement, except in the event of death very shortly after the commencement of pension.

136. About 7 per cent of pensionable employees changed their jobs in 1963, and only about one in ten of these had his pension rights preserved (apart from preservation of National Insurance Graduated Pension). The proportion preserved was higher for dismissals than for voluntary withdrawals, and higher for those with long service than for those with short service. About one-half of all leavers were offered some form of preservation, but the majority preferred a refund of personal contributions.

137. Although the number of alternative possibilities for each separate feature of pension scheme contributions, benefits and conditions is not large, the number of ways in which the alternatives for different features can be combined in the Rules is enormous, and this accounts for the great diversity of schemes, which by no means fall into a few simple type-groups.

APPENDIX I

Estimated Finances of Occupational Pension Schemes in the Year 1963

Figures for the private sector are given in Table A. For insured schemes, use has been made of the Life Offices' statements, but the information given in these has been notionally adjusted to exclude individual-policy schemes and arrangements. For non-insured schemes, the sample data have been corrected in the light of information supplied by the Inland Revenue, but the figures for interest earnings and other benefits and expenses of insured schemes are little more than informed guesses. The information on net growth of funds (at book values) is better founded.

Table A

Estimated income and outgo of pension schemes

Private Sector, 1963 (£ millions)

	Insured schemes	Non-Insured schemes	Total
Contributions			
Members	65	55	120
Employers	155	180	335
Net interest earnings	100	140	240
Total income	320	375	695
Pensions	25	100	125
Other benefits and expenses ... (net of realisation profits, etc.)	115	25	140
Net growth of funds	180	250	430

Table B shows the corresponding figures for the public sector.

Table B

Estimated income and outgo of pension schemes

Public Sector, 1963 (£ millions)

	Fully funded schemes	Unfunded or notionally funded schemes	Total
Contributions			
Members	45	65	110
Employers	90	195	285
Net interest earnings	85	—	85
Total income	220	260	480
Pensions	60	180	240
Other benefits and expenses ...	30	80	110
Net growth of funds	130	—	130

Whereas the total pension expenditure recorded in Tables A and B is £365 millions, Inland Revenue assessments of pension income for tax purposes amounted to no less than £420 millions for the financial year 1963–64, to which an addition should be made for the unreported income of persons not subject to income tax. It appears, therefore, as though there was a good deal of pension expenditure besides that recorded in Tables A and B. This excess expenditure, which relates to the private sector, presumably represents in part pensions from overseas but mainly individual policies and *ex gratia* arrangements falling outside the scope of the Tables.

APPENDIX II

INQUIRY ADDRESSED TO EMPLOYERS

Government Actuary's Department,
Caxton House East,
Tothill Street,
London, S.W.1.

July, 1964.

Dear Sir,

Occupational Pension Schemes

Seven years ago my predecessor conducted a sample inquiry into occupational pension schemes and other similar provisions in the United Kingdom, and the response from the selected employers was so good that it was possible early in 1958 to publish a report containing some informative facts and figures (Occupational Pension Schemes —a Survey by the Government Actuary: H.M.S.O.). Since then, although the number of pension schemes has increased rapidly, statistics about them have been far from complete. The need for further information is widely recognised, and the Government has therefore asked me to carry out a second inquiry on the same general lines as in 1957. As before, the summarised results will be published.

On a number of points it is essential to ask for the co-operation of employers, and part of the inquiry is being conducted by sending questionnaires to a fresh sample of those who maintain pension schemes. You are one of the selected employers and I hope that you will be willing to assist by completing one of the attached forms, so far as it is applicable, for each scheme operated by your firm. If you require further copies of the form, I shall gladly supply them on hearing from you. Completed forms should be returned to me in the enclosed envelope, if possible by 30th September.

In an endeavour to reduce to a minimum the demands made on individual employers, arrangements have been made to use such material as is already available from official sources. In particular, I hope to obtain information regarding the details of the Trust Deed and Rules of each pension scheme from the copies of those documents that are held by the Board of Inland Revenue. The Board cannot, however, supply this information unless you agree, and it would therefore be most helpful if you would, when completing the inquiry forms, give your consent (in the manner indicated) for the particulars of the Trust Deed and Rules to be made available to me. As an alternative, if you prefer, would you please send me a copy of the latest documents of this kind relating to your scheme.

The information you supply will be treated as strictly confidential to this Department. The inquiry is solely to enable estimates to be made of the extent and nature of pension provision in the United Kingdom as a whole, and nothing that could lead to the identification of particulars relating to individual firms will be disclosed, either in official publications or otherwise.

I am authorised by the British Employers' Confederation and the Trades Union Congress to say that they support this inquiry, which also has the approval of the National Association of Pension Funds, the C.I.B. Society of Pension Consultants and the Life Offices. I should be most grateful for your co-operation.

Yours faithfully,

[*Signed*] H. TETLEY,
Government Actuary.

CONFIDENTIAL

Occupational Pension Schemes

I. (*a*) Name of employer...

Address ....

(*b*) Name of Scheme..

II. Please state, in the table below:

(*a*) the total number of persons employed;

(*b*) the number of employees in (*a*) above who are members of the above Scheme;

(*c*) the number of former employees and their widows in receipt of pension under the Scbeme.

Figures should relate to 31st December, 1963, or the nearest convenient date, and should distinguish between men and women and between non-manual staff and manual workers.

Date to which the numbers relate..

	(*a*) Total employed		(*b*) Total covered by Scheme		(*c*) Pensioners		
					Former Employees		Widows of former employees and of former pensioners (please exclude dependants other than widows)
	Men	Women	Men	Women	Men	Women	
Non-manual staff							
Manual workers							
Total ...							

Note: In (*a*), please include temporary aud part-time employees. Where there are separate pension scbemes for non-manual and manual employees, the distinction between these types of employment will be evident. In other cases, the following classification will serve as a useful guide:

Non-manual Managing and other directors in receipt of a definite wage, salary or commission; managers, superintendents, and works foremen; research, experimental, development, technical and design employees (other than operatives); draughtsmen aod tracers; editorial staff, staff reporters, canvassers, competition and advertising staff; travellers; and office (including works office) employees.

Manual All other classes of employees, including operatives employed in power houses, transport work, stores, warehouses, shops and canteens; inspectors, viewers and similar workers; maintenance workers; and cleaners.

If no exact subdivision between non-manual and manual employees is possible, please supply the best approximation possible.

III. A. Please state, in the table below:

(1) the total amount contributed to the Scheme by members and by the employer during the year ended 31st December, 1963 (or other convenient date);

(2) the amounts of benefit paid during the same year.

Year..to.. (nearest £)

	Non-manual staff	Manual workers
	£	£
(1) Amounts paid to the Scheme in the twelve month period by		
(i) Members		
(ii) Employer		
(2) Amounts paid from the Scheme in the twelve month period		
(i) to former employees:		
(*a*) pensions		
(*b*) other payments on retirement (in addition to pension)		
(*c*) payments made on retirement where no pension payable.		
(ii) to widows:		
(*a*) pensions		
(*b*) other payments (in addition to pension)		
(*c*) payments made at death of member where no widow's pension payable		
(iii) to other dependants (all payments)		

B. Please state number of persons receiving payments, other than (i) pensions or (ii) refunds of personal contributions on withdrawal, in this period:

	Pensioners	*Other persons*
Former employees	....	....
Widows	....	....
Other dependants	....	....

Note: In completing A(1)(ii), please include all amounts paid by the employer into the Scheme including any special payments. If no advance financial provision is made to meet pension costs, the current cost of benefits should be stated as the employer's contribution. In completing A(2) and B, payments other than benefits paid on or after death or retirement should be excluded; thus, refunds of contributions or other benefits on withdrawal or dismissal should be omitted. Payments of salaries or wages to re-engaged pensioners should also be omitted. Any amounts paid by or through a life assurance company should be included.

IV. Please indicate the numbers of active male members and pensioned former employees included at II(*b*) and (*c*) above in respect of whom a widow's pension will be payable if they die married.

	Active male members		Male pensioners	
	Non-manual staff	Manual workers	Non-manual staff	Manual workers
Subject to future option by husband				
Other				

Note: Members whose length of service is less than the qualifying period for widow's pension should not be omitted from the table. Temporary pensions to widows and provisions for dependants other than widows should be disregarded in completing the table.

V. Please indicate, in the table below, how many members of the Scheme left it, other than by death or retirement on pension, during the year ended 31st December, 1963 (or other convenient date), classified by the action taken when they left.

Year......................................to......................................

	Type of exit			
	Withdrew voluntarily		Dismissed	
	Less than 10 years' pensionable service	10 or more years' pensionable service	Less than 10 years' pensionable service	10 or more years' pensionable service
(*a*) Pension rights fully preserved by grant of deferred pension ...				
(*b*) Pension rights partially preserved by grant of deferred pension				
(*c*) Transfer value paid whether in respect of fully or partially preserved pension rights ...				
(*d*) Return of personal contributions (with or without interest) (i) Preferred by employee to other benefits ... ... (ii) No option to select other benefits				
(*e*) No benefit of any kind ...				
(*f*) Other action (please specify) ...				
(*g*) Total				

Note: No employee leaving sbould be counted more than once. Any action tbat was taken primarily for the purpose of satisfying the requirements of the National Insurance Acts (with regard to equivalent pension benefits or payments in lieu) for contracted-out employees should be ignored—in other words, employees withdrawing should be classified as they would have been if this action had not been taken. The reference in the heading to "pensionable service" is intended to include all service reckonable for pension purposes.

VI. It will be helpful if you can state whether or not, and if so on what basis, it is your practice to meet the cost of granting pensions additional to the normal scale provided by the Rules of the Scheme to employees who, on joining your service in middle life, have no expectation of pensions other than the National Insurance pension or small paid-up benefits from a previous employer.

VII. Have pensions payable from the Scheme been augmented, e.g., on account of increases in the cost of living? YES/NO.
If so, please insert ticks in the appropriate boxes in the following table:

	Pensions augmented by reference to				
	Movements in the cost of living	Current rates of pay in the firm	The financial state of the pension fund	Other considerations (please specify)	No fixed practice
At the time of retirement					
After retirement					

VIII. Space is left below for any general remarks you may wish to offer—for instance on special features of the Scheme that may affect the interpretation of the answers given to earlier questions. (Please continue remarks overleaf if desired).

Date.. Signed..

....

(*Please do not detach*)

Name of Employer ....

Name of Scheme ....

(i) I hereby authorise the Board of Inland Revenue to supply to tbe Government Actuary particulars of the Trust Deed and Rules of the above Scheme.

(ii) I enclose a copy of the Trust Deed and Rules of the above Scheme and of all amendments to date.
[Please delete either (i) or (ii) as appropriate].

Date.. Signed..

GENERAL NOTES

1. The information is for the use of the Government Actuary's Department, Caxton House East, Tothill Street, London, S.W.1. Any queries on matters of difficulty should be addressed to the Government Actuary.

2. If you have more than one scheme (i.e. any form of arrangement for providing pensions or lump sums on death or retirement) please supply figures for each scheme on a separate form; the total numbers employed need then be stated on only one of these forms. Forms need not, however, be completed for pension policies or arrangements relating to individual employees.

3. Schemes providing only lump sum benefits on death or retirement (such as group-life policies) and schemes providing only widows' pensions should be included; only such questions as are appropriate need then be answered. The membership figures should not be shown if all the members are covered by another scheme in respect of which a return is made. If there is overlap between the memberships of schemes, please indicate its extent.

4. If you have not more than 12 pensionable employees in all, please answer only Question I and Question II(*a*).

5. Employees permanently outside the United Kingdom, and all matters relating to them and their pensions, should be excluded wherever possible.

6. If any of your pension schemes cover other firms besides your own, please supply figures for your own employees, etc., only. If this is not possible, because the firms are linked together in one organisation, please arrange for the supply of figures relating to the whole scheme and indicate where this has been done.

7. Approximate answers should be given to any question if the exact figures cannot be ascertained.

8. Additional copies of this form and notes will be supplied on application.

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OCCUPATIONAL PENSION SCHEMES

A New Survey by the Government Actuary

LONDON
HER MAJESTY'S STATIONERY OFFICE
1966

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LIST OF TABLES

Note: Unless otherwise indicated, the tables refer to private sector schemes, or their members, and to 1963.